

NKANDLA LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

NKANDLA LOCAL MUNICIPALITY

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NKANDLA LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor Z.O Zulu

Chairman of the Executive Committee

B.Z Mncadi

Chairman of Corporate Services

N.F.J Nzuza

Chairman of Community Services

S.Z Dlamini

Chairman of Planning and Technical

GRADING OF LOCAL AUTHORITY

Medium

AUDITORS

Auditor General

BANKERS

ABSA Bank, Richards Bay

REGISTERED OFFICE

Civic Centre
Lot 292, Marce Road
Nkandla
3855

Private Bag X 161
Nkandla
3855

Telephone: 035 833 0067
Fax : 035 833 0920

.....
MUNICIPAL MANAGER

M.E Ngonyama

.....
TREASURER

B.D Mlondo

NKANDLA LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE NKANDLA COUNCIL

WARD

1
2
3
4
5
6
7
8
9
10
11
12
13
14

COUNCILLOR

S.Z Dlamini
S.O Sibiya
B.B Dlomo
P.N Khanyile
Z.O Zulu
N.F.J. Nzuza
M.N Mthombeni
S.L Mthembu
T.M Dladla
S.E. Mhlongo
M.T Majozi
M.J Mkhize
S.N Masikane
M.N Nkwanyana

MAYOR :

Councillor Z.O Zulu

DEPUTY MAYOR :

Councillor N.F.J Nzuza


SPEAKER :

Councillor M.J Mkhize

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out in page 1 to 24 were approved by the Municipal Manager on 26 August 2008 and presented to and approved by the Council on 26 August 2008.


.....
MUNICIPAL MANAGER
ACCOUNTING OFFICER
26-Aug-08


.....
CHIEF FINANCIAL OFFICER
TREASURER
26-Aug-08

NKANDLA LOCAL MUNICIPALITY

MAYOR'S FOREWORD

Although good progress has been made with the drive to put management of Nkandla Local Municipality's services on more of a service delivery basis, our income sources have come under tremendous pressure as a result of the interest hike during the third quarter and the fourth quarter of the financial year. The current budget faces limitations and constraints. We have a mandate to a clear duty to do everything possible to spare ratepayers and users of municipal services the steep rises in rates and tariffs that would be the result of simply passing on all inflationary cost increases.

At the same time, government is increasingly seeking to devolve additional responsibilities to local government, without providing the necessary financial resources. Whilst demand for access road and other infrastructure improvement is rising, subsidies to fund such activities or projects are limited. Our infrastructure is coming under further strain from rapid urbanisation.

The challenges facing Nkandla Local Municipality and the problems of funding its services are endless. It is essential that we prioritise our limited resources to ensure that they are applied to the best advantage.

In conclusion I would like to express my appreciation to the Management Committee, Municipal Manager and all his staff, for their support, co-operation and hard work.

Date:

Signature: 

Councillor Z.O. Zulu
Chairman of the Executive Committee.

REPORT FROM THE AUDITOR-GENERAL

The financial statements have not yet been audited.
Will be included once received after audit.

NKANDLA LOCAL MUNICIPALITY

ACCOUNTING OFFICER'S REPORT

The financial activities of the Municipality is improving in terms of management and accountability. However we do encounter minimal problems to our new financial management system and management, as a result we have sourced the services of Consultants who have performed exceptional well to make the system user friendly.

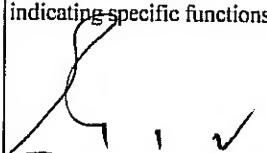
The performance of the Municipality in budgetary terms has been in line with service delivery and budget implementation plan developed in the beginning of the financial year. We have been able to meet most of our targets in terms of the available budget.

The budget availability in itself is a challenge because of the nature of the Municipality which is entirely dependant on grants with little income from its residents to support service delivery and acquisition of relevant high performing personnel. I wish to convey words of appreciation to the Heads of Departments and the entire staff compliment that have performed unreservedly to accomplish their tasks within the budget. The budget control and implementation rest to all members of staff and councillors.

It is further worth to note the support we receive from all Councillors especially the Mayor and his Committee who kept on monitoring the mandate of the Council in general and the public in particular. We were always reminded of the responsibility that is upon us to handle public funds in a resposible and accountable manner.

It is our belief that the financial statements prepared are a true reflection of expenditure in line with service delivery and budget implementation plan adopted by Council in the beginning of the year in question.

The detailed annual report will be compiled that constitutes the total performance of the Municipality indicating specific functions we performed as per Municipal service delivery and budget implementation plan.



ACCOUNTING OFFICER
M.E. NGONYAMA

TREASURER'S REPORT

1. INTRODUCTION

Nkandla Municipality is a medium grade Local Municipality within the Uthungulu District Municipality. It covers seventeen (17) traditional authority areas. The Municipality has been in existence since year 2000 and has 14 wards with 27 councillors.

2. BACKGROUND

The Municipality is currently classified as a medium capacity municipality because of its reliance on grant funding whilst it has large number of residents approximated at about 133 605. The unemployment rate is in excess of 80%. The municipality is also facing the challenge of HIV/AIDS pandemic. The municipality has been largely involved in the development of its communities through its interaction with all people and implementation of small scale LED projects.

3. CHALLENGES

With an ever changing and challenging Local Government environment, Nkandla Budget & Treasury is not an exception, there has been some changes especially with implementation of Property Rates Act and the implementation of the new Accounting System (E-Venus). The E-Venus implementation has been longer than anticipated and that created some challenges in processing of the transactions but it was later resolved. The migration from Abukus to E-Venus fell short of skill transfer, hence we have appointed PK Financial Consultants to assist with the production of Annual Financial Statements for the Auditor General.

4. OPERATING RESULTS

From Appendix D it is indicated that the Municipality has operated at deficit of (R8,618,630) attributable to reduced Equitable Share and due to electricity as well as water income collected by uThungulu District Municipality on behalf of Nkandla Local Municipality.

Details of the results per department, classification and object of expenditure are included in appendix D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2008 are as follows.

INCOME	Actual 2007	Actual 2008	Variance 2007/8.	Budget 2008	Variance Actual/ Budget
	R	R	%	R	%
Operating income for the year	23,423,373	28,003,259	20	28,553,916	(1.93)
	23,423,373	28,003,259	20	28,553,916	(1.93)
EXPENDITURE					
Operating expenditure for the year	28,501,131	36,621,889	28	28,553,916	(28.26)
(Deficit)/ Surplus at year end	(5,077,758)	(8,618,630)	70	0	(28.26)

4.1 Rates and General Services

	Actual 2007	Actual 2008	Variance 2007/8.	Budget 2008	Variance Actual/ Budget
	R	R	%	R	%
Income	23,423,373	28,003,259	20	28,553,916	(1.93)
Expenditure	28,501,131	36,621,889	28	28,553,916	(28.26)
Surplus (deficit)	(5,077,758)	(8,618,630)	48	0	(30.18)
Surplus (deficit) as % of total income	(21.68)	(30.78)		0	

The deficit of (R8 618 630) for the year is attributable to a reduced equitable share received during the current year.

5. CAPITAL EXPENDITURE AND FINANCING

The expenditure on fixed assets during the year amounted to R2 029 080 - 24% more than the previous year. The actual expenditure consists of the following:

	Actual 2,008 R	Budget 2,008 R	Actual 2,007 R
Capital Expenditure			
Land and buildings	1,764,843	3,100,000	1,340,689
Plant and equipment	401,173	500,000	237,000
Computer equipment	297,327	297,327	310,832
Furniture and equipment	58,815	58,815	42,176
Road construction and taxi ranks	2,598,393	2,598,393	2,604,605
Parks and recreation	1,726,994	1,500,000	187,378
Sundry works	0	681,000	155,731
Motor vehicles	98,052	98,052	0
Market stalls	103,148	103,148	1,934,694
Community hall	3,396,202	1,508,212	1,602,762
Refuse site	0	0	0
	10,444,947	10,444,947	8,415,867
Financing of Fixed Assets			
Municipal Infrastructural Grant	7,639,018	7,639,018	6,276,080
Accumulated surplus	0	0	0
Contributions from own revenue	2,805,929	2,805,929	2,139,787
Grants and subsidies	0	0	0
	10,444,947	10,444,947	8,415,867

The actual capital expenditure is more than the budgeted capital projects and that is because of MIG projects for both next years and also the carry over projects.

6. FUNDS AND RESERVES

More information regarding funds and reserves are disclosed in the notes (1 to 3) and appendix A to the financial statements.

7. POST BALANCE SHEET EVENTS

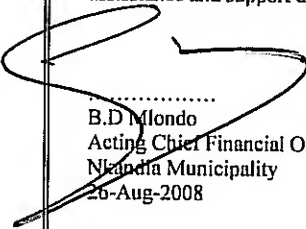
Subsequent to 30 June 2008 the Council intends to make significant improvement on the new accounting system with regards to system's performance. Further more the Council has noted the sudden resignation of the CFO as another challenge, which needs a proper plan with a consolidated programme of action to be initiated before a replacement is found.

8. GENERAL

Some of the properties of municipality could be made available to public as rental and the vacant sites could be sold for broadening the income base. The electricity service is anticipated to be provided by Nkandla Local Municipality.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, his committee and members of the Management Committee, Councillors, the Municipal Manager, Directors and the staff in general for the support they have given me and to the staff of my own directorate assistance for the assistance and support during the year.



.....
B.D. Mondo
Acting Chief Financial Officer
Nkandla Municipality
26-Aug-2008

NKANDLA LOCAL MUNICIPALITY

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

- 1.1 These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1997) and Report on the standardisation of the Financial Statements of Local Authorities (2nd Edition, January 1996).
- 1.2 The Financial Statements are prepared on the historical cost basis, adjusted for capital expenditure. The Accounting Policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The Financial Statements are prepared on the accrual basis as stated :
 - 1.3.1 Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as Library fees and electricity fees.
 - 1.3.2 Expenditure is accrued in the year that it is incurred.

2. CONSOLIDATION

The Balance Sheet includes Rates and General Services, different Funds, Reserves and Provisions. All inter departmental charges if any, are set-off against each other, with the exception of Assessment Rates and Refuse Removal which are treated as income and expenditure in the respective Departments .

3. PROPERTY, PLANT AND EQUIPMENT

- 3.1 Property, plant and equipment is stated :
 - 3.1.1 at historical cost, or
 - 3.1.2 at valuation (based on market price at date of acquisition), where assets have been acquired by Grant or Donation, while they are in existence and fit for use.
- 3.2 Depreciation

The balance shown against the heading " Loans Redeemed and Other Capital Receipts" in the notes to the Balance Sheet is tantamount to a provision for Depreciation. Apart from Advances from the various Council Funds, assets may also be acquired through :

 - a) appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income and therefore it is unnecessary to make any further provision for depreciation
 - b) grants and donations, where the amount representing the value of such grant or donation is immediately credited to the " Loans Redeemed and Other Capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed assets are credited to the Revolving Fund.

4. FUNDS AND RESERVES

4.1 CAPITAL DEVELOPMENT FUND (CDF)

The Local Authorities Ordinance No.25 of 1974 requires a minimum contribution of three percent of Revenue income of a local authority for the financial year. The transfer to CDF is based on billed revenue only, excluding equitable share, Grant funding and penalties.

4.2 PUBLIC IMPROVEMENT FUND

The Local Authorities Ordinance No.25 of 1974 stipulates that this fund be maintained in respect of all property belonging to the Municipality that is not used for a specific purpose relating to the provision of services. Any surplus funds available are either advanced internally or invested externally.

4.3 TRUST FUNDS

Funds are paid to the Council for specific purposes and consists of Grants and Subsidies from the Public or Higher Authorities.

4.4 PROJECT FUNDS

Project funds are representative of external funding received in the past and set aside for pre - identified individual projects or a pre-defined general nature of intervention.

5. RETIREMENT BENEFITS

Nkandla and its employees contribute to the R.S.A. Municipal Pension Fund and Nkandla and its councillors contribute to the Councillors Pension Fund which provides retirement benefits to such employees and councillors.

The retirement benefit plan is subject to the Pensions Funds Act, 1956, with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs. Unfavourable experience adjustments and the cost of securing increased benefits are written off over the lesser of the remaining period of service of employees or five years. Favourable experience adjustments are retained in the retirement benefit plan.

Full actuarial valuations are performed at least every three years.

6. SURPLUSES AND DEFICITS

Accumulated surpluses reflect the residual of revenue against the sum of operating and capital expenditure reduced by any appropriations.

7. INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested per Circular issued by the Provincial Legislature.

8. INCOME RECOGNITION

8.1 Assessment Rates

Assessment Rates are levied at the same tariff for the land and improvements. Rebates are granted to state bodies. Income is recognised when the annual and monthly levies are done at the beginning of the month.

8.2 Refuse and other income

Refuse is levied at an approved monthly flat rate. Sundry income is accounted for on a cash receipt basis.

8.3 Government and other related grants

Government and other related grants are recognised as revenue on an accrual basis and in accordance with the funding institution's annual disbursement plan as they relate to municipal statutory annual reporting period.

9. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events and is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

10. LEASED ASSETS

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

11. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The cost of internal support services are transferred to the different services in accordance with the Institute Report on Accounting for Support Services (June 1996) as amended.

12. DEFERRED CHARGES

The balance outstanding of the costs incurred in raising loans on the capital market, are recovered from operating income over the periods of the various loans involved. There were no loans during the year.

13. CONTINGENT LIABILITIES

Section 125(2) of the Municipal Finance Management Act requires disclosure of all contingent liabilities.

**NKANDLA LOCAL MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2008**

	Note	2008 R	2007 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		2,908,070	2,903,150
Statutory funds	1	2,908,070	2,903,150
Reserves	2	0	0
(ACCUMULATED DEFICIT)/RETAINED INCOME	18	(9,039,668) (6,131,598)	2,334,365 5,237,515
TRUST FUNDS	3	9,013,103	10,166,291
LONG - TERM LIABILITIES	4	0	0
CONSUMER DEPOSITS: SERVICES	5	309,807	315,737
		<u>3,191,312</u>	<u>15,719,543</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	6	0	0
INVESTMENTS	7	4,740,876	11,428,313
LONG - TERM DEBTORS	8	0	6,534
DEFERRED CHARGES	11	0	0
		<u>4,740,876</u>	<u>11,434,847</u>
NET CURRENT ASSETS/(LIABILITIES)		(1,549,564)	4,074,989
CURRENT ASSETS		2,461,086	5,458,045
Inventory	9	0	0
Debtors	10	2,461,086	4,473,855
Cash	16	0	984,190
Short - term investments	7	0	0
Short - term portion of long - term debtors	8	0	0
CURRENT LIABILITIES		4,010,650	1,383,056
Provisions	12	1,163,720	701,132
Creditors	13	875,254	476,660
Other Creditors	13a	2,470	205,264
Short - term portion of long - term liabilities	4	0	0
Bank overdraft	16	1,969,206	0
		<u>3,191,312</u>	<u>15,509,836</u>

NKANDLA LOCAL MUNICIPALITY
INCOME STATEMENT FOR THE YEAR
ENDED 30 JUNE 2008

2007 Actual income R	2007 Actual Expenditure R	2007 Surplus/ deficit R	2008 Actual income R	2008 Actual Expenditure R	2008 Surplus/ deficit R	2008 Budget Surplus (deficit) R
23,423,374	28,501,131	(5,077,757)	28,003,259	36,621,889	(8,618,630)	(8,618,630)
23,269,327	28,501,131	(5,231,804)	28,003,259	36,621,889	(8,618,630)	37,597
0	0	-		0	-	(141,717)
154,047	0	154,047		0	0	7,023
0	0	-		0	-	-
0	0	0		0	0	-
23,423,374	28,501,131	(5,077,757)	28,003,259	36,621,889	(8,618,630)	(8,618,630)
		(5,946,522)			1,902,349	
		(11,024,279)			(6,716,281)	
		13,358,645			(2,323,387)	
Balance as per Audited AFS		2,334,366				
Balance as Trial Balance		(2,323,387)			(9,039,668)	

Appropriations for the year (refer to note 18)
Net surplus/(deficit) for the year
Accumulated surplus/(deficit):
beginning of the year
ACCUMULATED SURPLUS/(DEFICIT):
END OF THE YEAR

NKANDLA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	<u>Note</u>	<u>2008</u> R	<u>2007</u> R
CASH RETAINED FROM OPERATING ACTIVITIES		792,660	(1,690,729)
Cash generated by operations	19	(5,960,967)	(7,984,180)
Investment income		944,042	0
(Increase)/decrease in working capital	20	(1,829,433)	17,371
		(6,846,358)	(7,966,809)
Less: External interest paid		0	0
Cash available from operations		(6,846,358)	(7,966,809)
Cash contributions from the public and the state (Refer to Appendix C)		7,639,018	6,276,080
Net proceeds on disposal of fixed assets		0	0
CASH UTILISED IN INVESTING ACTIVITIES		(10,444,947)	(8,432,884)
Investment in fixed assets		(10,444,947)	(8,432,884)
CASH EFFECTS OF FINANCING ACTIVITIES		4,920	171,930
Increase/(decrease) in funds and reserves		4,920	171,930
TOTAL CASH (OUTFLOW) / INFLOW		<u>(9,647,366)</u>	<u>(9,951,683)</u>
Cash effects of financing activities			
(Increase) / Decrease in cash on hand	24	(2,953,396)	825,438
(Decrease) / Increase in cash investments		(6,693,971)	(10,951,655)
		0	
Cash generated		<u>(9,647,366)</u>	<u>(10,126,217)</u>

NKANDLA LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008
1 STATUTORY FUNDS

Capital Development Fund
Public Improvement Fund
Redemption Fund
Insurance Fund

2008
R
2007
R

2,149,742

2,149,742

758,328

753,408

0

0

0

0

2,908,070
2,903,150

(Refer to Appendix A for more detail)

2 RESERVES

Loss of Rental Reserve
Capital Reserve
Maintenance Reserve
Working Capital Reserve

0

0

0

0

0

0

0

0

0

0

3 TRUST FUNDS

Essential Oils
Housing Grant
Development Plan Ulundi
MSIP
Transitional Grant (Tax)
Free Basic Services
GIS Capacity Support
Zulu Dance Grant
Development Planning
LUMS Grant
Man Assistant Grant
Anti-Corruption Grant
MDISG 05/06
MAP Grant 05/06
MIG 05/06
Property Rates Grant
Interdepartmental Grant
MPCC Lindelwa 05/06
MPS 05/06
Capacity Support 05/06
MDP 05/06
Valuation Roll 05/06
MFMA 05/06
Interdepartmental 05/06
MSIG 05/06
FMG 05/06
Community Dev. Workers
Project Consolidate 05/06
Town Planning Scheme
MSIG 06/07
FMG 06/07
Urban Renewal
HR System Grant
Public Participation
Infrastructure Inv Programme
E-Learning Training
Nkungumathe Stadium

63,236

(1,677)

11,162

0

9,777

9,777

88,096

88,096

110,877

378,668

0

0

60,144

176,947

3,000

28,529

0

0

32,373

32,373

(1)

(1)

5,993

11,043

176,947

176,947

908,408

963,650

2,927,044

4,365,769

(18,792)

36,308

19,024

70,779

18,240

32,942

3,367

3,367

22,105

22,105

0

0

66,701

66,701

36,215

141,855

47,186

47,186

(461,430)

29,574

(27,900)

23,171

79,269

81,269

1,859,342

1,208,133

145,419

137,252

467,302

134,291

340,883

128,980

61,367

166,287

(20,348)

152,876

237,519

37,519

235,929

235,929

1,179,647

1,179,647

325,000

0

9,013,103
10,166,291

Refer to Appendix A for more detail.

4 LONG - TERM LIABILITIES

Government loans	0	0
Local registered stock	0	0
Annuity loans	0	0
Short - term loans	0	0
Lease commitments	0	0
	<u>0</u>	<u>0</u>
less: Current portion transferred to Current Liabilities	0	0
Government loans	0	0
Local registered stock	0	0
Short - term loans	0	0
Annuity loans	0	0
	<u>0</u>	<u>0</u>

(Refer to Appendix B for more detail on long - term liabilities)

5 CONSUMER DEPOSITS - SERVICES

Consumer deposits	(5,932)	0
Cash focus transfers	0	0
Uthungulu suspense	174,670	0
Services	99,915	99,915
UIF suspense	364	0
Pension suspense	0	0
Medical aid suspense	(964)	0
Garnishee order suspense	(783)	0
VAT suspense	0	0
Unknown bank deposits	29,649	0
Old mutual suspense	1	0
SALGBC suspense	(2)	0
IFP/ANC suspense	67	0
Rentmeester	1,842	0
Available	0	0
Trial balance difference	10,980	0
Balance as per the Audited Prior Year AFS	<u>309,807</u>	<u>99,915</u>
Balance as per the Trial Balance		<u>315,737</u>

6 FIXED ASSETS

Fixed assets at the beginning of the year	34,177,026	26,555,226
Capital expenditure during the year	10,444,947	8,432,974
Less: Assets written off, transferred or disposed of during the year	-	(811,174)
Total fixed assets	<u>44,621,973</u>	<u>34,177,026</u>
less: Loans redeemed and other capital receipts	(44,621,973)	(34,177,026)
Net fixed assets	<u>0</u>	<u>0</u>

(Refer to Appendix C and Note 5 of the Treasurer's Report for more detail on fixed assets)

7 SHORT TERM INVESTMENTS

Listed	0	0
Nkandla municipal stock	0	0
Other municipal stock	0	0

Unlisted

Balance as at 01/07/07

4,740,876

11,428,313

ABSA: Capital Programme

Statutory Funds Investment Account

First National Bank: Electricity

ABSA: Free Basic Service

ABSA: Conditional Call Account

ABSA: Call Account

ABSA: MIG Call Account

2,023,627

196,361

2,520,889

0

2,997,311

4,009,299

0

0

4,421,703

0

Total investments (Refer to Bank Confirmation or Investment Schedule)

4,740,876

11,428,313

Market value of listed investments and management's valuation of unlisted investments

Listed investments

0

0

Unlisted investments

0

0

Profit / (Loss) on investment transactions

0

0

Average rate of return on investments (indicate whether gross or net)

%

%

Circular of 2007 issued by the Provincial Legislature requires local authorities to invest funds, which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a plenary rate to meet commitments.

No investments have been written off during the year.

No investments have been pledged as security for any funding facilities of the council.

8 LONG - TERM DEBTORS

Housing loans

0

0

Staff loans

0

0

Car loans

0

6,534

less: Short - term portion of long - term debtors
transferred to current assets

0

6,534

0

0

0

6,534

9 INVENTORY

Inventory represents consumable stores, raw materials, work-in-progress and finished goods. Where necessary specific provision is made for obsolete inventory

0

0

10 DEBTORS

Service Debtors

3,716,270

3,369,133

Other Debtors

850,754

4,340,798

Vat

1,812,494

0

Amount paid in advance

328,575

0

less: Provision for bad debts

6,708,093

7,709,931

Balance as per the Trial Balance

(4,247,007)

(3,236,076)

Balance as per the Audited Prior Year AFS

2,461,086

4,473,855

4,467,741

Amounts totalling R4 247 007 (2007/08) was raised as a provision for bad debts. This represents 18% (2007/08) of the total operating income and other income for 06/07 & 07/08. Days outstanding in debtors amount for more than 240 days. A proposal will be made to the Council to address the policy on debtors in a near future.

11 DEFERRED CHARGES

Preliminary expenses

0

0

Issue expenses

0

0

Commission

0

0

0

0

12 PROVISIONS			
Leave pay		613,065	246,886
Bonus provision		379,295	282,886
Audit fee provision (Creditor)		171,360	171,360
Interest on future capital redemption		0	0
Refer to Appendix A.		<u>1,163,720</u>	<u>701,132</u>
13 CREDITORS			
Trade creditors		816,893	476,660
Vat Creditors		58,361	0
		<u>875,254</u>	<u>476,660</u>
13a Other creditors		<u>2,470</u>	<u>205,264</u>
14 ASSESSMENT RATES			
	Valuation as at 1-Jul-07	Actual income 2008	Actual income 2007
Residential		1,428,475	1,812,210
Commercial		0	0
State		0	0
Municipal			
	<u>0</u>	<u>1,428,475</u>	<u>1,812,210</u>
Balance as per prior year AFS			706,616
15 COUNCILLORS' REMUNERATION			
Mayor's allowance		222,162	236,599
Deputy Mayor's allowance		179,526	192,926
Speaker's allowances		179,526	192,926
Executive committee allowances X 3		506,987	536,738
Councillors' allowances X 21		2,712,844	2,761,632
Balance as per HR system		<u>3,801,045</u>	<u>3,920,821</u>
Balance as per Trial Balance		<u>149,618</u>	
16 CASH			
Bank overdraft		(1,969,206)	967,783
		<u>(1,969,206)</u>	<u>967,783</u>
17 FINANCE TRANSACTIONS			
Total external interest earned or paid:			
-Interest earned		944,042	1,548,345
-Interest paid		<u>0</u>	<u>0</u>
Capital charges debited to operating account:			
Interest:			
-External		0	0
-Internal		0	0
Redemption:			
-External		0	0
-Internal		0	0
Deferred charges written off		<u>0</u>	<u>0</u>

18 APPROPRIATIONS

Appropriation account:

Accumulated surplus at the beginning of the year	(2,323,387)	13,358,645
Operating (deficit)/surplus for the year	(8,618,630)	(5,077,757)
Appropriations for the year:	1,902,349	(5,946,522)
Contribution to capital expenditure development fund	(4,920)	0
Capital expenditure:	0	0
Produce Market	0	0
Prior year adjustments	1,907,269	(5,946,522)
Transferred from capital reserve	0	0
Accumulated (deficit)/surplus at the end of the year	(9,039,668)	2,334,366

Operating account

Capital expenditure

Contributions to:

Bad debts provision

Maintenance reserve

Community facilities fund

Capital reserve

Capital development fund

7,639,018	0
(1,010,931)	0
10,732,647	0
325,000	0
0	0
0	0
17,685,734	0

PRIOR YEAR ADJUSTMENTS**19 CASH GENERATED BY OPERATIONS**

(Deficit)/Surplus for the year

(8,618,630) (5,077,758)

Adjustments in respect of:

Previous years' operating transactions

1,907,269 (5,946,522)

Appropriations charged against income:

1,493,640 4,297,067

Capital development fund

4,920 0

Community facilities and fund (Capital outlay)

325,000 2,156,805

Provisions and reserves

1,163,720 2,140,262

Fixed assets

0 0

Capital charges:

Interest paid:

to internal funds

0 0

on external funds

0 0

Redemption:

of external advances

0 0

of external loans

0 0

Deferred charges written off

0 0

Investment income (operating account)

(944,042) 0

Non-operating income:

Trust funds

0 9,529,663

Provisions

0 41,153

Non-operating expenditure:

Expenditure charged against Provisions and Reserves

200,797	(10,827,785)
(5,960,967)	(7,984,182)

20 (INCREASE)DECREASE IN WORKING CAPITAL

(Increase)Decrease in inventory

0 0

(Increase)/Decrease in debtors, long term debtors

(2,019,303) (457,130)

Increase / (Decrease in consumer deposits

0 (600)

Increase/(Decrease) in creditors and consumer deposits

189,870	475,100
(1,829,433)	17,370

21 INCREASE/(DECREASE) IN LONG - TERM LOANS (EXTERNAL)

Loans raised

0 0

Loans repaid

0 0

0 0

22 INCREASE/(DECREASE) IN SHORT - TERM LOANS (EXTERNAL)

Loans raised	0	0
Loans repaid	0	0
	<u>0</u>	<u>0</u>

23 (INCREASE) / DECREASE IN EXTERNAL CASH INVESTMENTS

Investments realised	7,430,606	0
Investments made	-	0
	<u>7,430,606</u>	<u>0</u>

24 (INCREASE)/DECREASE IN CASH ON HAND

Cash balance at the beginning of the year	984,190	0
Petty cash	21,612	16,407
Less: Cash balance at the end of the year	<u>(1,947,594)</u>	<u>967,783</u>
	<u>2,953,396</u>	<u>984,190</u>

25 RETIREMENT BENEFITS

The last actuarial evaluation of the RSA Municipal Pension Fund and the Nkandla Councillors Pension Fund was done done at February 2006 through the MEC in terms of the proposed amendments to align pensionable emulments with the CPIX. In terms of this evaluation, we were not able to disclose any deficiency or shortfall to be met over a period of five years.

26 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Guarantees by Nkandla Council in respect of commercial bank housing loans and officials

<u>0</u>	<u>0</u>
----------	----------

Litigation against Nkandla is in progress. If successful the amounts involved will be covered by insurance

Leave pay outstanding as at 30 June 2008 amounts to 2 929 days and 633 days for sick leave and vacation leave respectively.

27 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

- Approved and contracted	15,731,906	8,415,000
- Approved but not yet contracted for	0	0
	<u>15,731,906</u>	<u>8,415,000</u>

This expenditure will be financed from:

- Internal sources		
- External sources	10,444,947	8,415,000
Other sources	0	0
Provincial government	10,444,947	8,415,000
Metropolitan council	0	0
	<u>10,444,947</u>	<u>8,415,000</u>

28 CASH FLOW FROM FINANCING ACTIVITIES

Increase in funds and reserves

<u>0</u>	<u>19,600</u>
<u>0</u>	<u>19,600</u>

29 INCREASE IN CASH AND CASH EQUIVALENTS

Cash and Bank	2,936,989	825,438
Petty Cash	0	0
(Decrease) / Increase in cash balances	<u>2,936,989</u>	<u>825,438</u>

30 MFMA DISCLOSURE**- Municipal entities**

The municipality has no entities under its jurisdiction or control.

30.1 Payments to and amounts owing to statutory and regulatory bodies

South African Local Government Association

-amounts paid in year

-amounts owing at end of year

0	0
0	0

PAYE

-amounts paid in year

-amounts owing at year end

0	1,623,502
0	0

RSC LEVIES

-amounts paid in year

-amounts owing at end of year

0	0
0	0

EMPLOYERS SHARE OF MEDICAL AID

-amounts paid in year

-amounts owing at end of year

0	271,723
0	0

EMPLOYERS SHARE OF PENSION CONTRIBUTIONS

-amounts paid in year

-amounts owing at end of year

0	634,138
0	0

30.2 SALARIES, ALLOWANCES AND BENEFITS OF MANAGEMENT

Municipal manager

Chief financial officer

Director: Corporate services

Director: Community services

Director: Technical services

550,169	500,153
453,775	371,000
479,489	371,000
467,643	371,000
469,108	371,000
2,420,184	1,984,153

31 CAPITAL DEVELOPMENT FUND

Accumulated fund

Less: External Investments

2,149,742	2,149,742
0	0
2,149,742	2,149,742

32 PUBLIC IMPROVEMENT FUND

Accumulated fund

Less: External Investments

758,328	753,408
0	0
758,328	753,408

APPENDIX A

**NKANDLA LOCAL MUNICIPALITY
ACCUMULATED FUNDS, TRUST, RESERVES AND PROVISIONS
FOR THE YEAR ENDED 30 JUNE 2008**

	Balance at 2007-06-30	Contributions during the Year	Interest on Investments	Transfer Inn	Transfer Out	Operating Expenditure During the year	Capital Expenditure During the year	Balance at 2008-06-30
STATUTORY FUNDS								
Public Improvement Fund	753,408	4,920	0	0	0	0	0	758,328
Capital Development Fund	2,149,742	0	0	0	0	0	0	2,149,742
TOTAL	2,903,150	4,920	0	0	0	0	0	2,908,070
TRUST FUNDS								
Essential Oils	(1,677)	207,006						63,236
Housing Grant	0	99,634				142,094		11,162
Development Plan Uluudi	9,777					88,472		9,777
MSIP	88,096							88,096
Transitional Grant (Tax)	378,668							110,877
Free Basic Services	0	1,419,224				267,791		-
GIS Capacity Support	176,947					1,419,224		60,144
Zulu Dance Grant	28,529					116,803		3,000
Development Planning	0					0	25,529	0
LUMS Grant	32,373							32,373
Man Assistant Grant	(1)							(1)
Anti-Corruption Grant	11,043							5,993
MDISG 05/06	176,947					5,050		176,947
MAP Grant 05/06	963,650	100,000				155,241		908,408
MIG 05/06	4,365,769	5,721,105	0			0	7,159,831	2,927,044
Property Rates Grant	36,308							(18,792)
Interdepartmental Grant	70,779					55,100		19,024
MPCC Lindelwa 05/06	32,942					51,754		18,240
MPS 05/06	3,367					14,702		3,367
Capacity Support 05/06	22,105							22,105
MDP 05/06	0							-
Valuation Roll 05/06	66,701							66,701
MFMA 05/06	141,855							36,215
Interdepartmental 05/06	47,186					105,640		47,186
MSIG 05/06	29,574							(461,430)
FMG 05/06	23,171					491,003		(27,900)
Community Dev. Workers	81,269					51,071		79,269
Project Consolidate 05/06	1,208,133	1,000,000				2,000		1,859,342
Town Planning Scheme	137,252	101,677				0	348,791	145,419
MSIG 06/07	134,291	734,000				93,509		467,302
FMG 06/07	128,980	825,000				400,989		340,883
Urban Renewal	166,287					613,097		61,367
HR System Grant	152,876					0	104,920	(20,348)
Public Participation	37,519	200,000				173,224		237,519
Infrastructure Inv Programme	235,929							235,929
E-Learning Training	1,179,647							1,179,647
Nkungumathe Stadium	0	325,000						325,000
TOTAL	10,166,291	10,732,647	0	0	0	4,246,764	7,639,071	9,013,103
PROVISIONS								
Leave Provisions	246,886		0		0	(366,179)	0	613,065
Audit fee	171,360		0		0		0	171,360
Bonus Provisions	282,886	338,142	0			241,733	0	379,295
TOTAL	701,132	338,142	0		0	(124,446)	0	1,163,720
TOTAL FUNDS	13,770,573	11,075,708	0	0	0	4,122,318	7,639,071	13,084,893

APPENDIX B

NKANDLA LOCAL MUNICIPALITY INTERNAL LOANS AND EXTERNAL ADVANCES

EXTERNAL LOANS	Balance at 1-Jul-08	Received during the period	Redeemed or written off during the period	Balance at 30-Jun-08
	R	R	R	R
Annuity loans	0	0	0	0
Fixed loans	0	0	0	0
Refer to note 31	0	0	0	0

INTERNAL ADVANCES	Balance at 1-Jul-08	Received during the period	Redeemed or written off during the period	Balance at 30-Jun-08
	R	R	R	R
Public improvement fund	0	0	0	0
Capital development fund	0	0	0	0
Refer to notes 31 and 32 respectively ?	0	0	0	0

APPENDIX C

**NKANDLA LOCAL MUNICIPALITY
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

Expended 2007		Cost/Revaluation					Budget 2008
		Opening Balance	Additions	Under Construction	Disposals	Closing Balance	
4,878,411	Community Services						
1,340,689	Land and buildings	10,725,803	1,764,843	0	0	12,490,646	3,100,000
237,000	Plant and equipment	418,339	401,173	0	0	819,512	500,000
310,832	Computer equipment	1,192,809	297,327	0	0	1,490,135	297,327
42,176	Furniture and Fittings	1,316,834	58,815	0	0	1,375,649	58,815
2,604,605	Road construction and taxi ranks	9,592,800	2,598,393	0	0	12,191,192	2,598,393
187,378	Parks and recreation	1,763,232	1,726,994	0	0	3,490,226	1,500,000
155,731	Sundry works (Municipal Council)	1,506,391	0	0	0	1,506,391	681,000
0	Council house	0	0	0	0	0	0
0	Motor vehicles	1,522,224	98,052	0	0	1,620,276	98,052
		28,038,432	6,945,596	0	-	34,984,028	8,833,587
3,537,456	Community Assets						
1,934,694	Market stalls	3,585,006	103,148	0	0	3,688,154	103,148
1,602,762	Community hall	2,254,440	3,396,202	0	0	5,650,642	1,508,212
		5,839,446	3,499,350	0	0	9,338,796	1,611,360
0	Economic Services						
0	Refuse site	299,149	0	0	0	299,149	0
0	Sewerage works	0	0	0	0	0	0
		299,149	0	0	0	299,149	0
8,415,867	TOTAL ASSETS	34,177,027	10,444,947	0	-	44,621,973	10,444,947
8,432,974	LESS: LOANS REDEEMED AND ADVANCES REPAYD	34,177,026	10,444,947	0		44,621,973	
0	Accumulated surplus	1,799,608	0	0		1,799,608	
2,156,894	Contributions ex operating income	8,686,120	2,805,929	0	0	11,492,049	
6,276,080	Grants and subsidies	23,691,298	7,639,018	0		31,330,316	
-17,108	NET FIXED ASSETS	0	0	0	0	0	

APPENDIX D
NKANDLA LOCAL MUNICIPALITY:
ANALYSIS OF INCOME AND EXPENITURE FOR THE YEAR ENDED 30 JUNE 2008

	<u>2007</u> <u>Actual (R)</u>	<u>2008</u> <u>Actual (R)</u>	<u>2008</u> <u>Budget (R)</u>
INCOME			
Government and Provincial Grants and Subsidies	22,312,439	25,592,360	328,423
Service charges	252,232	437,423	1,048,690
Property rates	706,616	1,428,475	24,388,087
Interest	0	944,042	2,788,716
Rent facilities and equipment	0	63,492	0
Other income	0	645,494	0
Less: Income forgone	152,086	(1,108,028)	0
Total Revenue	23,423,373	28,003,259	28,553,916
EXPENDITURE			
Employees Salaries and Allowances	12,094,816	11,610,613	9,483,609
Remuneration of Councillors	0	149,618	0
General Expense	11,535,259	9,372,243	3,880,870
Repairs and Maintenance	573,988	1,564,318	10,632,212
Contribution to Reserves and Provisions	2,140,262	1,964,898	2,695,000
Contribution to Project Funds	2,156,805	8,987,995	1,862,225
Employees Social Contributions	0	1,126,670	0
General Expense: Financial Services	0	37,593	0
General Expenses: Contracted Services	0	1,807,941	0
Total Expenditure	28,501,130	36,621,889	28,553,916
NET SURPLUS/(DEFICIT) FOR THE YEAR	(R 5,077,757)	(R 8,618,630)	0

APPENDIX E

**NKANDLA LOCAL MUNICIPALITY
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008**

2007 Actual Income R	2007 Actual Expenditure R	2007 Surplus/ (Deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R
23,423,373	28,501,132	(5,077,759)	RATES AND GENERAL SERVICES	28,003,259	36,621,889	(8,618,630)
23,269,326	28,501,132	(5,231,806)	Community Services	28,003,259	36,621,889	(8,618,630)
0	7,719,283	(7,719,283)	Executive and Council	23,514,968	13,687,455	9,827,512
101,848	3,610,625	(3,508,777)	Corporate	0	5,523,247	(5,523,247)
28,271	8,724,664	(8,696,393)	Community & Social Services	588,833	6,417,198	(5,828,365)
0	4,542,885	(4,542,885)	Technical Services	781,181	5,479,715	(4,698,534)
23,139,207	3,903,675	19,235,532	Finance	3,118,278	5,514,275	(2,395,996)
0	0	-	Subsidised Services	0	0	0
0	0	0	Library	0	0	0
0	0	0	Community Hall Facilities	0	0	0
			Other	0	0	0
154,047	0	154,047	Economic Services	0	0	-
154,047	0	154,047	Refuse removal	0	0	0
0	0	0	Sewerage Disposal	0	0	0
0	0	-	Trading Services	0	0	-
0	0	0	Electricity	0		
0	0	0	Water			
<u>23,423,373</u>	<u>28,501,132</u>	<u>(5,077,759)</u>	Sub Total	<u>28,003,259</u>	<u>36,621,889</u>	<u>(8,618,630)</u>
<u>23,423,373</u>	<u>28,501,132</u>	<u>(5,077,759)</u>	Total	<u>28,003,259</u>	<u>36,621,889</u>	<u>(8,618,630)</u>
		(5,946,522)	Appropriation for this year			1,902,349
		<u>(11,024,281)</u>	Net (Deficit)/Surplus for the year			<u>(6,716,281)</u>
		13,358,646	Accumulated Surplus beginning of the year			(2,323,387)
		-	Acquisition of assets			
	<u>2,334,365</u>		ACCUMULATED SURPLUS/ DEFICIT END OF THE YEAR	<u>28,003,259</u>		<u>0</u>
						<u>(9,039,667)</u>

APPENDIX F

NKANDLA LOCAL MUNICIPALITY STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2008

GENERAL STATISTICS

1) POPULATION

In accordance to the 2001 statistics, total population of Nkandla Municipality is 133 605 with total of 71 289 members are eligible voters.

In the previous elections held, the number of registered voters amounted to 45 170.

2) ASSESSMENT RATES

PROPERTY CATEGORY	VALUATION	ACTUAL INCOME 2008	ACTUAL INCOME 2007
Commercial and residential	-	1,428,475	706,616
TOTAL	-	1,428,475	706,616

The valuation process has been completed and Property Act is being implemented

3) EMPLOYEES

The total number of municipal employees is 64, which excludes 27 Councillors. All the Municipal Councillors are employed on part-time basis.

4) SUNDRY STATISTICS

The total size of the Municipal area extends over 1827 square kilometers.